

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 COME-00 DOTE-00 EB-11 FMC-04 CG-00 COA-02

DLOS-07 SWF-02 AGR-20 DRC-01 /142 W

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R 232315Z MAY 74

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 3195

C O N F I D E N T I A L GUATEMALA 2862

E.O. 11652: GDS

TAGS: ETRN GT

SUBJECT: DEVELOPMENTS RE RESERVE CARGO DECREE 39-74

REF: GUATEMALA 2763

1. AT INSTIGATION OF CHAMBER OF COMMERCE, CACIF (GROUPING OF CHAMBERS OF INDUSTRY, AGRICULTURE, COMMERCE AND FINANCE) REQUESTED APPOINTMENT ON MAY 20 WITH PRESIDENT OF CONGRESS MARIO SANDOVAL ALARCON TO EXPRESS PRIVATE SECTOR OPPOSITION TO RESERVE CARGO DECREE. DESPITE SANDOVAL'S ORAL AGREEMENT TO MEETING WITH CACIF REPRESENTATIVE NO APPOINTMENT HAS YET BEEN SET UP.

2. APPARENTLY MOST EFFECTIVE OPPOSITION TO DECREE, WHICH HAS STILL NOT REACHED THE PRESIDENT'S OFFICE, COMING FROM FLOMERCA AUTHORITIES. THEY MET WITH SANDOVAL ON MAY 20 TO EXPRESS FORMALLY THEIR OPPOSITION TO DECREE AS IT CURRENTLY STANDS. FLOMERCA PRESIDENT MARTINEZ DEL ROSAL SUBSEQUENTLY SENT SANDOVAL MEMORANDUM (SPANISH COPY BEING AIR POUCHED) IN WHICH HE GIVES FURTHER DETAILS ON FLOMERCA'S OPPOSITION. THIS OPPOSITION BASED ON: (A) COMPLAINTS FROM LOCAL USERS OF FLOMERCA'S SERVICES THAT DECREE WILL RESULT IN INCREASED COST AND HIGHER TARIFFS LEADING TO MORE DOMESTIC INFLATION;
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(B) FLOMERCA AUTHORITIES BELIEF THAT DECREE COULD RESULT

IN "JUST" REPRISALS BY OTHER COUNTRIES. FLOMERCA
AUTHORITIES ASKED SANDOVAL TO HAVE CONGRESS RESTUDY DECREE
AND THEN MODIFY IT IN ACCORDANCE FLOMERCA'S SUGGESTIONS
WHICH WILL MAKE IT MORE ACCEPTABLE TO OTHERS.

3. BOTH FLOMERCA MANAGER MIRON AND MARTINEZ DEL ROSAL AGAIN
DISCLAIMED TO EMBOFF ANY FOREKNOWLEDGE THAT CARGO RESERVE
DECREE WAS TO BE PASSED, AS FLOMERCA HAD REQUESTED LEGISLATION
THAT WOULD ONLY PROVIDE FLOMERCA WITH TAX EXEMPTION STATUS
ON PROFITS. BOTH BLAMED OTHER GUATEMALAN FLAG LINE (ARMAGUA)
PRESIDENT CORONADO WITH BEING BEHIND DECREE'S PASSAGE.
(A KNOWLEDGEABLE SOURCE HAS INFORMED US THAT
DEPUTIES HECTOR ANDRADE AND RUDY FUENTES SANDOVAL PUSHED
DECREE THROUGH CONGRESS. ACCORDING TO SOURCE DECREE COST
CORONADO, WHO FINANCED BY UITERWYCK (MENTIONED
IN STATE 224986 OF 11/14/73), \$50,000 IN PAYOFFS TO
DEPUTIES.) TO SUPPORT THEIR PROTESTATIONS OF FLOMERCA'S
NON-INVOLVEMENT IN PASSAGE OF DECREE, BOTH MIRON AND MARTINEZ
DEL ROSAL REFERRED TO USE OF TERM "AFFILIATED" LINES IN DECREE;
IN FLOMERCA'S CARGO RESERVE DRAFT THE TERM USED IS "ASSOCIATED"
LINES.

4. FLOMERCA OFFICIALS CONFIDENT THEY WILL BE ABLE TO STOP
DECREE BECAUSE OF CASE THEY PRESENTED TO SANDOVAL
ALARCON. IF THIS FAISL THEY HAVE APPOINTMENT WITH
PRESIDENT ARANA EARLY NEXT WEEK ON ANOTHER SUBJECT, BUT DURING
WHICH THEY WOULD APPRISE HIM OF REASONS FOR FLOMERCA'S
OPPOSITION TO DECREE AND URGE THAT HE NOT SIGN IT INTO LAW.

5. WHILE FLOMERCA OFFICIALS OPPOSED TO DECREE 39-74, THEY
ARE IN FAVOR OF ENACTMENT OF SOME TYPE RESERVE CARGO
LEGISLATION. BASIC CHANGE IN DECREE THEY ARE SUGGESTING TO
SANDOVAL IS TO HAVE CARGO RESERVE BASED ON 40 PERCENT FOR EACH OF
FLAG LINES OF DIRECT PARTICIPANTS IN TRADE WITH 20 PERCENT RESERVED
FOR THIRD COUNTRY FLAG LINES. ACCORDING TO FLOMERCA OFFICIALS,
THIS TYPE SPLIT DISCUSSED AT SEVERAL U. N. SPONSORED CONFERENCES
WITH THE IDEA THAT DEVELOPING COUNTRIES BE
ENCOURAGED TO PROVIDE THE PROTECTION NEEDED TO ENCOURAGE
NATIONAL SHIPPING LINES.

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6. COMMENT: FLOMERCA OFFICIALS EVIDENTLY SINCERE IN THEIR
OPPOSITION TO DECREE 39-74 ALTHOUGH THEY FAVOR TYPE OF
RESERVE CARGO LEGISLATION MENTIONED
IN PARAGRAPH 5. OPPOSITION BASED AT LEAST IN PART ON THEIR
KNOWLEDGE OF REPRISALS THAT FOREIGN GOVERNMENTS WILL TAKE.
APPARENTLY, FLOMERCA OFFICIALS BELIEVE THAT SOME EUROPEAN
COUNTRIES AND JAPAN WILL IMPOSE TAXES ON SUCH GUATEMALAN
EXPORTS AS COFFEE, COTTON AND SUGAR EFFECTIVELY CLOSING

THESE MARKETES TO GUATEMALAN EXPORTS. ADDITIONALLY,
ALTHOUGH FLOMERCA OFFICIALS NOT FULLY AWARE OF EXTENT OR
NATURE OF REPRISALS WHICH U.S. MIGHT TAKE THEY JUST LOST
CASE BEFORE FMC ON ASSOCIATION STATUS CONTRACT WITH CCT
AND ARE EXTEMELY WARY OF POSSIBLE NEW CONFRONTATION WITH
U.S. THEREFORE, GIVEN STRONG FLOMERCA OPPOSITION TO
DECREE 39-74, WHICH IS SHARED BY CACIF, IT IS HIGHLY UNLIKELY
THAT IT WILL BECOME LAW. HOWEVER, IT IS MORE POSSIBLE
NOW THAT FLOMERCA WILL SUCCEED IN OBTAINING PASSAGE OF
MODIFIED CARGO RESERVE LEGISLATION.
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